



Navigating through adversity; Distanced shore

Gross margin expansion to 41.7% is due to procurement efficiencies, quicker liquidation of high cost inventories, optimum product pricing & cost control of fixed direct overheads. GM at current levels could continue for few quarters. Speciality products saw minimal price/volume degrowth of ~8%/2% compared to overall revenue degrowth of 19%. Launched 6 new products in FY24 & 4 new products for FY25 (will contribute 8-10% of overall revenue ; most of them are 9(3) products commanding better pricing & margins).

Domestic monsoon is expected to be strong which can drive domestic growth but export headwinds continue to be there. Slower than anticipated recovery for supplies to Japan & LATAM will keep the stock range bound in the mid term with positive surprise expected on the announcement of newer molecules from parent but growth largely back-ended.

Key financial highlights

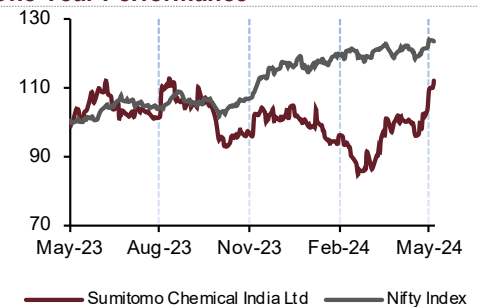
- Revenues at ₹6743Mn, 3.5%YoY/24.4%QoQ
- EBITDA (Excl OI) at ₹1402Mn, 74%YoY/113%QoQ
- PAT at ₹1135Mn, 57.4%YoY/98.9%QoQ
- Gross Margin came in at 41.8% vs 31.4% YoY/39.8% QoQ
- Gross Margin saw improvement of 1042 bps on YoY basis
- EBITDA Margin (Excl OI) came in at 20.8% vs 12.4% YoY/12.2% QoQ
- EBITDA Margin (Excl OI) saw improvement of 843 bps on YoY basis

Rating	TP (Rs)	Up/Dn (%)
ACCUMULATE	470	5

Market data

Current price	Rs	449
Market Cap (Rs.Bn)	(Rs Bn)	224
Market Cap (US\$ Mn)	(US\$ Mn)	2,696
Face Value	Rs	10
52 Weeks High/Low	Rs	482 / 336.1
Average Daily Volume	('000)	655
BSE Code		542920
Bloomberg		SUMICHEM.IN
Source: Bloomberg		

One Year Performance



Source: Bloomberg

% Shareholding	Mar-24	Dec-23
Promoters	75	75
Public	25	25
Total	100	100

Source: Bloomberg

Financial Summary

Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24e	FY25e	FY26e
Net sales	26,449	30,612	35,110	28,439	34,096	41,516
EBIDTA	4,869	5,999	6,666	4,760	6,343	8,178
Margins	18.4	19.6	19.0	16.7	18.6	19.7
PAT (adj)	3,453	4,236	5,022	3,709	4,621	5,862
Growth (%)	68.8	22.6	18.6	-26.1	24.5	26.9
EPS	6.92	8.49	10.06	7.43	9.26	11.74
P/E (x)	65	53	45	60	49	38
P/B (x)	15	12	9	9	8	7
EV/EBITDA (x)	45	37	33	46	35	27
RoE (%)	25	24	23	15	18	19
ROCE (%)	33	34	31	21	24	26
RoIC (%)	35	29	28	20	19	21

Source: Company, Dalal & Broacha Research

Key Risks :

- Product Ban
- Effect of low or erratic rainfall
- Change in government policies
- Parent having delisted subsidiary companies in past

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Quarterly Financials

(Rs.Mn)	4QFY24A	4QFY23	YoY Growth (%)	3QFY24	QoQ Growth (%)
Revenue from Operations	6,742	6,516	3%	5,420	24%
Other Income	267	165	62%	269	-1%
Total RM Cost	3,927	4,474	-12%	3,265	20%
Employee Benefits Expense	592	545	9%	539	10%
Other Expenses	821	691	19%	958	-14%
Total Expenses	5,340	5,710	-6%	4,762	12%
EBITDA (Excluding Other Income)	1,402	806	74%	658	113%
Depreciation and Amortisation Expenses	168	140	19%	161	4%
EBIT / PBIT	1,501	830	81%	766	96%
Finance Costs	13	14	-6%	12	8%
EBT/ PBT	1,488	816	82%	754	97%
Tax Expense	353	95	272%	183	93%
Net Profit after Tax	1,135	721	57%	571	99%
Adj Earning Per Share	2.20	1.45	52%	1.10	101%
Margins (%)			(In bps)		(In bps)
Gross Margins	41.7%	31.3%	1042	39.8%	199
EBITDA Margins (Excl Other Income)	20.8%	12.4%	843	12.1%	865
PAT Margins	15.7%	10.8%	488	9.6%	606
As a % to sales					
RM as a % to sales	58.3%	68.7%		60.2%	
EE Cost as a % to sales	8.8%	8.4%		9.9%	
Other exps as a % to sales	12.2%	10.6%		17.7%	

Source: Dalal & Broacha Research

Concall KTAs

- Supply to SCC,Japan from Tarapur facility expected revenue of Rs.2.5bn will not be achieved in FY25 to the full extent (50% baked in our model).
- Dahej : Incremental capex of Rs.2.5-3 bn fully from internal accruals for further molecules for parent will take 18-24 months post environmental clearance (EC expected in FY25 ; Not expecting incremental revenue till FY27 ; will have key molecules launched by parent,not commoditised & will have large product life cycle).
- Capex guidance for FY25 : Rs.530 Mn with majority towards green captive power generation (Annual savings of ~Rs.60 Mn).
- Zero debt status with healthy cash position of Rs.12bn.

Valuation & Outlook

Slow ramp up of Tarapur facility (Supply to SCC Japan) with full revenue potention unlocking expected in FY26 instead of FY25 was slight disappointment.Also further capex of Rs.2.5-3bn will take additional 2 years after EC is received which further delays the revenue potential & not expecting any incremental revenue before FY27.Current price after the rally from 340 levels largely bakes in the growth over next 2 years.Positive surprise from parent announcing the newer molecules could increase visibility for FY27.We expect the stock to remain range bound in the near term after the recent rally in price.Domestic monsoon is expected to be strong which can drive domestic growth but export headwinds continue to be there.Slower than anticipated recovery for supplies to Japan & LATAM will keep the stock range bound in the mid term.

Valuation: At CMP of Rs.449 stock trades at 38x FY26e EPS of Rs.11.7.We value company at 40x FY26e EPS arriving at a target price of Rs.470 & we maintain our “ACCUMULATE” rating on the stock.

Financials

P&L (Rs mn)	FY21	FY22	FY23	FY24e	FY25e	FY26e
Net Sales	26,449	30,612	35,110	28,439	34,096	41,516
Operating Expenses	-16,554	-19,080	-22,706	-17,751	-21,651	-26,238
Employee Cost	-1,943	-2,020	-2,184	-2,320	-2,522	-2,741
Other Expenses	-3,084	-3,513	-3,554	-3,609	-3,580	-4,359
Operating Profit	4,869	5,999	6,666	4,760	6,343	8,178
Depreciation	-466	-448	-519	-622	-682	-719
PBIT	4,403	5,551	6,147	4,138	5,661	7,459
Other income	186	268	449	957	573	440
Interest	-56	-62	-54	-51	-56	-62
PBT	4,533	5,757	6,542	5,043	6,178	7,837
Profit before tax	4,533	5,757	6,542	5,043	6,178	7,837
Provision for tax	-1,079	-1,522	-1,520	-1,332	-1,557	-1,975
Profit & Loss from	-	-	-	-	-	-
Reported PAT	3,454	4,235	5,022	3,711	4,621	5,862
MI	-1	0	-	-2	-	-
Owners PAT	3,453	4,236	5,022	3,709	4,621	5,862
Adjusted Profit	3,453	4,236	5,022	3,709	4,621	5,862

Balance Sheet (Rs mn)	FY21	FY22	FY23	FY24e	FY25e	FY26e
Equity capital	4,991	4,991	4,991	4,991	4,991	4,991
Reserves	10,421	14,281	18,826	19,424	23,352	28,335
Net worth	15,412	19,272	23,818	24,416	28,343	33,326
MI	1	0	0	30	32	32
Non Current Liabilities	669	738	702	793	755	718
Current Liabilities	10,637	10,086	9,172	7,895	9,595	11,516
TOTAL LIABILITIES	26,719	30,096	33,691	33,133	38,726	45,592
Non Current Assets	3,676	4,876	5,812	6,404	7,216	8,197
Fixed Assets	2,925	3,892	4,678	5,570	6,432	7,447
Right of Use Assets	311	364	332	282	231	181
Financial Assets	53	301	359	71	71	85
Deferred Tax Asset	204	216	349	384	384	384
Advances	8	8	6	68	68	68
Assets	176	95	87	28	30	31
Current Assets	23,044	25,220	27,879	26,729	31,509	37,395
Current investments	2,902	3,560	2,388	3,457	3,878	4,349
Inventories	7,544	9,378	8,887	6,104	10,380	12,580
Trade Receivables	8,482	8,431	9,461	7,159	9,341	11,374
Cash and Bank Balances	2,421	791	3,028	1,833	-463	458
Advances	23	5	5	-	-	-
Other Financial Assets	169	1,745	2,849	7,177	7,177	7,177
Other Current Assets	1,503	1,310	1,261	998	1,196	1,457
TOTAL ASSETS	26,719	30,096	33,691	33,133	38,726	45,592

Cashflow (Rs mn)	FY21	FY22	FY23	FY24e	FY25e	FY26e
Net Profit	3,453	4,236	5,022	3,709	4,621	5,862
Add: Dep. & Amort.	466	448	519	622	682	719
Cash profits	3,919	4,684	5,541	4,331	5,303	6,581
(Inc)/Dec in						
-Sundry debtors	15	51	-1,029	2,301	-2,182	-2,033
-Inventories	-1,664	-1,834	491	2,783	-4,276	-2,200
-Loans/advances	-441	-1,209	-1,182	-3,997	-200	-262
-Current Liab and Provisions	2,441	-620	-912	-1,249	1,714	1,934
Change in working capital	352	-3,612	-2,633	-162	-4,945	-2,561
CF from Oper. activities	4,271	1,072	2,908	4,169	358	4,021
CF from Inv. activities	-2,498	-2,374	-159	-2,246	-1,913	-2,169
CF from Fin. activities	-287	-327	-513	-3,119	-742	-930
Cash generated/(utilised)	1,485	-1,629	2,237	-1,195	-2,297	922
Cash at start of the year	935	2,421	791	3,028	1,833	-463
Cash at end of the year	2,421	791	3,028	1,833	-463	458

Ratios	FY21	FY22	FY23	FY24e	FY25e	FY26e
OPM	18.4	19.6	19.0	16.7	18.6	19.7
NPM	13.0	13.7	14.1	12.6	13.3	14.0
Tax rate	-23.8	-26.4	-23.2	-26.4	-25.2	-25.2
Growth Ratios (%)						
Net Sales	9.1	15.7	14.7	-19.0	19.9	21.8
Operating Profit	46.1	23.2	11.1	-28.6	33.3	28.9
PBIT	50.7	26.1	10.7	-32.7	36.8	31.8
PAT	68.8	22.6	18.6	-26.1	24.5	26.9
Per Share (Rs.)						
Net Earnings (EPS)	6.92	8.49	10.06	7.43	9.26	11.74
Cash Earnings (CPS)	7.85	9.38	11.10	8.68	10.62	13.18
Dividend	0.55	0.80	1.20	0.89	1.39	1.76
Book Value	30.88	38.61	47.72	48.91	56.78	66.77
Free Cash Flow	7.78	-0.46	2.71	4.66	-3.06	4.48
Valuation Ratios						
P/E(x)	65	53	45	60	49	38
P/B(x)	15	12	9	9	8	7
EV/EBIDTA(x)	45	37	33	46	35	27
Div. Yield(%)	0.12	0.18	0.27	0.20	0.31	0.39
FCF Yield(%)	1.73	-0.10	0.60	1.04	-0.68	1.00
Return Ratios (%)						
ROE	25%	24%	23%	15%	18%	19%
ROCE	33%	34%	31%	21%	24%	26%
RoIC	35%	29%	28%	20%	19%	21%

Source: Dalal & Broacha Research

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